

ORIGINAL

OPEN MEETING AGENDA ITEM



**SOUTHWEST GAS CORPORATION**



October 12, 2012

Arizona Corporation Commission  
**DOCKETED**

OCT 12 2012

Docket Control Office  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, AZ 85007-2996



**Subject: Docket No. G-01551A-10-0458**  
**Southwest Gas Corporation - General Rate Case**

Southwest Gas Corporation hereby submits an original and 13 copies of its Supplemental Comments and Proposed Amendment in the above-referenced proceeding.

Should you have any questions, please do not hesitate to contact me at (702) 876-7163.

Respectfully submitted,

*Debra S. Gallo*

Debra S. Gallo, Director  
Government & State Regulatory Affairs

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1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 **COMMISSIONERS**

3 GARY PIERCE, Chairman  
4 BOB STUMP  
5 SANDRA D. KENNEDY  
6 PAUL NEWMAN  
7 BRENDA BURNS

8 In the Matter of the Application of  
9 Southwest Gas Corporation for the  
10 Establishment of Just and  
11 Reasonable Rates and Charges  
12 Designed to Realize a Reasonable  
13 Rate of Return on the Fair Value of  
14 the Properties of Southwest Gas  
15 Corporation Devoted to its Arizona  
16 Operations; Approval of Deferred  
17 Accounting Orders; and for Approval  
18 of an Energy Efficiency and  
19 Renewable Energy Resource  
20 Technology Portfolio Implementation  
21 Plan.

Docket No.: G-01551A-10-0458

**SUPPLEMENTAL COMMENTS AND  
PROPOSED AMENDMENT**

13 **SUPPLEMENTAL COMMENTS AND PROPOSED AMENDMENT OF  
14 SOUTHWEST GAS CORPORATION**

15 Southwest Gas Corporation (Southwest Gas or Company) filed comments August  
16 14, 2012 in response to the Arizona Corporation Commission's Utilities Division Staff's  
17 (Staff) recommendation in its Memorandum and Proposed Order regarding Southwest  
18 Gas' Gas Heat Pump Technology Reimbursement Plan. In addition to those comments,  
19 Southwest Gas offers the following proposed amendment to the Staff's proposed order:

- 20 1. **Page 5, lines 27-28** – replace "either 27.4% of the profits" with "\$250". Delete ", or  
21 \$250, whichever is greater."  
22 2. **Page 6, line 5** – delete "the reimbursement or benefit sharing" and replace with  
23 "reimbursement".  
24

- 1       **3. Page 6, after line 6** – insert “To the extent Arizona ratepayers are reimbursed the  
2       \$4,402,593 in accordance with the terms and conditions of the Settlement  
3       Agreement, Southwest Gas shall make a filing with the Commission identifying the  
4       value, if any, of the on-going benefit the investment made by Arizona ratepayers  
5       contributed to the commercialization of GEDAC and GHP units. Southwest Gas  
6       shall also submit a proposal to the Commission for consideration on whether any  
7       additional payment should be made to customers for the value, if any, of the on-  
8       going benefit associated with the investment in the commercialization of GEDAC  
9       and GHP units.”
- 10      **4. Page 6, line 18** – Add “, and Staff shall issue their recommendation and proposed  
11      order within sixty (60) days of Southwest Gas filing its application for approval.”
- 12      **5. Page 6, line 20** – delete “or benefit sharing”
- 13      **6. Page 6, line 25** – delete “or benefit sharing”
- 14      **7. Page 7, lines 13-14** – replace “either 27.4% of the profits” with “\$250”. Delete “, or  
15      \$250, whichever is greater.”
- 16      **8. Page 7, line 18** – delete “or benefit sharing”
- 17      **9. Page 7, after line 19** – insert “IT IS FURTHER ORDERED that to the extent  
18      Arizona ratepayers are reimbursed the \$4,402,593 in accordance with the terms  
19      and conditions of the Settlement Agreement, Southwest Gas shall make a filing with  
20      the Commission identifying the value, if any, of the on-going benefit the investment  
21      made by Arizona ratepayers contributed to the commercialization of GEDAC and  
22      GHP units. Southwest Gas shall also submit a proposal to the Commission for  
23      consideration on whether any additional payment should be made to customers for  
24

1 the value, if any, of the on-going benefit associated with the investment in the  
2 commercialization of GEDAC and GHP units.”

3 **10. Page 8, line 5** – Add “, and Staff will issue their recommendation and proposed  
4 order within sixty (60) days of Southwest Gas filing its application for approval.”

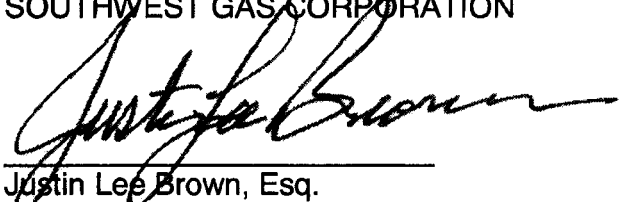
5 **11. Page 8, line 5** - delete “or benefit sharing”

6 For ease of reference, a marked-up copy of the relevant sections is included  
7 herewith as Attachment 1.

8 Based upon the foregoing and the August 14, 2012 comments filed by Southwest  
9 Gas, the Company respectfully requests that its proposed amendment be approved.

10 DATED this 12th day of October 2012.

11 SOUTHWEST GAS CORPORATION

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# **Attachment 1**

## Attachment 1

### Recommendations

- In light of the 27.4% contributed to the GEDAC/GHP's technology's development costs, Southwest's Arizona customers should be credited with \$250 for each GEDAC or GHP unit sold.
- Credits to Arizona ratepayers arising from their investment in GEDAC/GHP technology be continued until: (i) it has been clearly established that the GEDAC and the GHP units are not economically feasible; (ii) the GEDAC and GHP units have ceased to generate revenues and/or royalties subject to reimbursement as required by the Settlement Agreement; or (iii) further order of the Commission.
- To the extent Arizona ratepayers are reimbursed the \$4,402,593 in accordance with the terms and conditions of the Settlement Agreement, Southwest Gas shall make a filing with the Commission identifying the value, if any, of the on-going benefit the investment made by Arizona ratepayers contributed to the commercialization of GEDAC and GHP units. Southwest Gas shall also submit a proposal to the Commission for consideration on whether any additional payment should be made to customers for the value, if any, of the on-going benefit associated with the investment in the commercialization of GEDAC and GHP units.
- Credits to Arizona ratepayers associated with their investment in the GEDAC and GHP units should be disbursed to Arizona ratepayers through the R&D Surcharge. On an annual basis, the R&D Surcharge should be reset, taking into account any credits payable to Arizona ratepayers, either as reimbursement or as a sharing of the benefits of commercialization.
- In disposing of financial interest in an affiliate selling the GEDAC and/or GHP units, Southwest should in no way impair Arizona ratepayers' right to be reimbursed for their proportionate share of funding for GHP/GEDAC technology development, as provided in the Settlement Agreement and approved in Decision No. 72723. Therefore, if Southwest proposes to sell or otherwise dispose of its interest in an affiliate that sells either the GEDAC or the GHP units, then Southwest must first obtain the approval of the Commission, and Staff shall issue their recommendation and proposed order within sixty (60) days of Southwest Gas filing its application for approval.

- The balance due ratepayers for reimbursement, and the accumulated balance of funds subject to reimbursement, should be reported as a compliance item in this Docket every January and July, beginning January 2013. Once reporting begins, it should continue until: (i) it has been clearly established that the GEDAC and the GHP units are not economically feasible; (ii) the GEDAC and GHP units have ceased to generate revenues and/or royalties subject to the reimbursement as required by the Settlement Agreement; or (iii) further order of the Commission

#### ORDER

IT IS THEREFORE ORDERED that the Southwest Gas Heat Pump Technology Development Reimbursement Plan is approved, with the modifications discussed herein.

IT IS FURTHER ORDERED that Southwest Gas Corporation's Arizona customers be credited with \$250 for each GEDAC or GHP unit sold.

IT IS FURTHER ORDERED that credits to Arizona ratepayers arising from their investment in GEDAC/GHP technology be continued until: (i) it has been clearly established that the GEDAC and the GHP units are not economically feasible; (ii) the GEDAC and GHP units have ceased to generate revenues and/or royalties subject to the reimbursement as required by the Settlement Agreement; or (iii) further order of the Commission.

IT IS FURTHER ORDERED that to the extent Arizona ratepayers are reimbursed the \$4,402,593 in accordance with the terms and conditions of the Settlement Agreement, Southwest Gas shall make a filing with the Commission identifying the value, if any, of the on-going benefit the investment made by Arizona ratepayers contributed to the commercialization of GEDAC and GHP units. Southwest Gas shall also submit a proposal to the Commission for consideration on whether any additional payment should be made to customers for the value, if any, of the on-going benefit associated with the investment in the commercialization of GEDAC and GHP units.

IT IS FURTHER ORDERED that credits to Arizona ratepayers associated with their investment in the GEDAC and GHP units be disbursed to Arizona ratepayers through the R&D Surcharge. On an annual basis, the R&D Surcharge shall be reset, taking into account any credits payable to Arizona ratepayers, either as reimbursement or as a sharing of the benefits of commercialization.

IT IS FURTHER ORDERED that, if Southwest Gas Corporation proposes to sell or otherwise dispose of its interest in an affiliate that sells either the GEDAC or the GHP units,

then Southwest Gas Corporation must first obtain the approval of the Commission, and Staff will issue their recommendation and proposed order within sixty (60) days of Southwest Gas filing its application for approval.

IT IS FURTHER ORDERED that the balance due ratepayers for reimbursement, and the accumulated balance of funds subject to reimbursement, be reported as a compliance item in this Docket every January and July, beginning January 2013. Such reporting shall continue until further order of the Commission.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.